

The complaint

Mr W is unhappy that Vanquis Bank Limited returned a reimbursement from a vendor back to the vendor rather than allowing it to be credited to his Vanquis credit account. Mr W is also unhappy that Vanquis placed a block on his account because of the disputed reimbursement and also with the service he's received from Vanquis surrounding this matter.

What happened

Mr W holds a credit account with Vanquis. In October 2021, he instructed a payment of approximately £1,000 into his Vanquis account by means of a transfer from a third-party vendor - an online trading platform. The receipt of this money was flagged by Vanquis, as it was noted by them that there was no corresponding prior transaction out of the Vanquis credit account to the trading platform. This led to Vanquis placing a block on Mr W's account and Vanquis sent a text message and a letter to Mr W as a result.

Mr W contacted Vanquis the following day, having noticed his account was blocked. The Vanquis agent Mr W spoke with explained that his account was blocked because Vanquis needed to see proof of the legitimacy of the money transferred into the account, including proof of ownership of the trading account and a bank statement from whichever third-party current account Mr W had originally moved the money into the trading account from.

Mr W provided the requested information to Vanquis, but Vanquis confirmed that they'd returned the money to the trading platform and wouldn't accept the money as a credit into the Vanquis credit account. Mr W wasn't happy about this, so he raised a complaint.

Vanquis looked at Mr W's complaint. They confirmed they weren't willing to accept refund credits into an account if the original debit to the vendor didn't originate from the Vanquis account – which hadn't been the case in this instance. Vanquis therefore didn't feel that they'd acted unfairly by applying the block to Mr W's account that they did, or by returning the money to the trading platform. Mr W wasn't satisfied with Vanquis's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They felt that Vanquis were entitled to not accept refund credits unless a corresponding debit had been made from their account, but they felt that Vanquis' communication to Mr W about this had been unclear and that Mr W had been led to believe that Vanquis would accept the money into the account if he could provide the proofs he'd been asked for. Because of this, our investigator recommended that Vanquis should make a payment of £500 to Mr W as compensation for the trouble and upset he'd incurred because of this unclear communication.

Vanquis weren't satisfied with the view of this complaint put forwards by our investigator, so the matter was escalated to an ombudsman for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

I issued a provisional decision on this complaint on 7 November 2022 as follows:

I'm satisfied that Vanquis are entitled to not accept refund credits into their accounts when corresponding prior debits from the account to the reimbursing vendor haven't taken place.

Mr W may argue that the money in question here wasn't a refund but was instead a payment made to his credit account from his online trading platform within which he held a credit. But the Vanquis account in question here is a credit account, and not a current account, and so I'm satisfied that Vanquis were entitled to not accept the money from the trading platform and therefore to have returned it, and that if Mr W wished to make a payment to his Vanquis credit account he should have transferred the money from the trading platform to a current account and made the payment to the Vanquis credit account from that current account.

Mr W has explained that he wasn't able to transfer the money from the trading platform to his current account, and that he therefore instructed the payment of the money from the trading platform to his Vanquis current account because it was the only means available to him to transfer the money from the trading platform.

I can sympathise with Mr W's position here, but I don't feel that Vanquis should fairly be instructed to allow the receipt of the money from the trading platform because of this, counter to their own policies. And if Mr W is having problems in transferring money from the trading platform to his current account, I feel that this is an issue that Mr W would need to resolve with the trading platform and his current account provider directly.

However, while I don't feel that Vanquis have acted unfairly towards Mr W in how they returned the money to the trading platform – I do feel that Vanquis' communication to Mr W surrounding this wasn't clear, and that Mr W has incurred an unnecessary and avoidable degree of trouble and inconvenience as a result.

This is because I feel that Mr W was led to believe that Vanquis would be willing to accept the money from the trading platform into the Vanquis account if Mr W provided proof of the legitimacy of the money to Vanquis.

Vanquis disagree with this conclusion, and feel they made it clear to Mr W that they wouldn't accept the money into the account under any circumstances, given that it was a refund credit to which no corresponding debit had previously been made to the vendor from the Vanquis account. And Vanquis note the letter that was sent to Mr W dated 25 October 2021 which stated as follows:

"We would like to draw your attention to some recent activity on your account. On 21/10/2021 a refund credit was applied to your account for the value of £1055.36 however the account shows no corresponding debit transaction to the refunding retailer..."

Please note that you should not accept refund credits to your account if your original purchase was not made using the account. If further refunds are credited to your account without corresponding debit transactions it may result in the closure of the account."

However, Vanquis also added a note to Mr W's account on that same day, 25 October 2021, which read as follows:

"Account reviewed due to Merchant refund. [Customer] has received a refund from [trading platform] on 21/10/21 for £1,055.36 with no corresponding debit transaction.

[Customer] to provide proof of account ownership, transaction history (trading betting), proof of withdrawal, proof of original deposit in the form of a bank statement, and reason for the refund occurring to this card..."

Vanquis have explained that the receipt of the money into the account had led to the account being blocked, and that this block would only be removed when Mr W provided proof of the legitimacy of the money in question. Vanquis have also explained that while such proof would be needed to unblock the account, it wouldn't be the case that they would be willing to accept the money from the trading platform following the provision of such proof.

This seems reasonable to me, but I don't feel this position was ever clearly communicated by Vanquis to Mr W. And I note that when Mr W telephoned Vanquis the following day, on 26 October 2021, he spoke with an agent who referred directly to the note I've quoted above. I've listened to this call, and the agent doesn't seek to gain any further understanding of the situation beyond the note in question and simply reads it out verbatim to Mr W.

Because of this, what happens on the telephone call is that it's verbally explained to Mr W that his account is blocked because of the money being received from the trading platform, and that Mr W is then asked to provide the various proofs to confirm the legitimacy of the transaction, the implication being that the account will be unblocked and the money will be allowed to be received into the account.

I can therefore understand why Mr W would have been under the impression that if he provided the proofs that Vanquis asked for that they would accept the receipt of the money into the Vanquis account. And importantly, Vanquis' agent didn't at any time during the call explain to Mr W that it would never be the case that the money wouldn't be accepted and that the receipt of the proofs was needed only to allow the unblocking of the account.

So, while I can appreciate that Vanquis' letter did state Mr W shouldn't accept credits to his account unless the original purchase had been made from the account, I feel that this message to Mr W was effectively superseded by the verbal communication to Mr W by Vanquis' agent, which I'm satisfied did imply to Mr W that if he provided the proofs of legitimacy that Vanquis had asked for, that the money would be accepted into the account.

Indeed, I feel that if the system note that the Vanquis agent who spoke with Mr W referred to had been more explicit, or if that agent had taken the time to better understand the situation so that it could be explained more clearly to Mr W, then Mr W wouldn't in all likelihood have been given the false expectation that he was given here or incurred the inconvenience and frustration that stemmed from it.

Our investigator reached a similar conclusion to that which I've reached myself, and they recommended that Vanquis should make a payment of £500 to Mr W as compensation for the trouble and upset he incurred.

I also feel that Vanquis should fairly compensate Mr W for the unclear communication they issued to him here. But I feel that £500 is a disproportionately high amount to instruct Vanquis to pay in these circumstances, and as such I'll be instructing Vanquis to pay a lower compensation amount of £250, which I feel is a fairer amount of compensation here, given the circumstances of this complaint.

In arriving at this lower amount, I've taken into consideration the amount of trouble and inconvenience that Mr W has incurred here solely as a consequence of the unclear information he was provided with, including that I feel it was reasonable for Vanquis to request that information before removing the block on the account, and that I feel it's reasonable for Vanquis to feel the information that Mr W has so far provided to them doesn't fulfil the criteria required by them to allow the account to be unblocked.

I'd therefore encourage Mr W to liaise with Vanquis and provide the information needed by them to allow the unblocking of his account. I'm also aware that Mr W is concerned that the trading platform hasn't received the returned money from Vanquis, and so I'd encourage Vanquis to work with Mr W to help him assist the trading platform locate the returned funds. Finally, I'm aware that Mr W made a second transfer to the Vanquis account from the trading platform, and I can confirm that my general position as outlined above here applies to that second transfer also.

Both Mr W and Vanquis raised several points of concern about my provisional decision, and which led to me issuing an updated provisional decision on 15 November 2022 as follows:

Vanquis began by explaining that I had misunderstood an important element of their position. They clarified that, in instances such as this, where a payment is received onto the account without a prior corresponding debit being present, it isn't the case that they won't accept that credit onto the account. Vanquis also explained that the when such a payment is received, the account is blocked to prevent the payment balance from being used as new available credit before the checks required by Vanquis as to the origin and legitimacy of the payment into the account have been confirmed.

This means that if Mr W had been able to provide the documents that Vanquis requested from him, as described in the provisional decision above, then it may have been that case that Vanquis would have accepted the payment as a credit to the account.

Vanquis have also confirmed that the documents that Mr W did later provide didn't meet their requirements and didn't cover the full suite of information that they requested from him. This meant that the account remained blocked, although at that time the payment from the trading platform remained on the account.

However, a few months later, with the account still blocked as per the above, and with the payment from the trading platform still on the account, Vanquis undertook a review of the trading platform and made the decision to return all outstanding unverified payments to all their account holders from that platform – which at that time included Mr W's payment – back to the trading platform.

I'd like to apologise to Mr W and Vanquis for my misunderstanding of Vanquis' position here, and I'd like to thank Vanquis for providing the clarification that they did. Accordingly, I've reconsidered this complaint in light of the clarifying information provided by Vanquis, both in regard to whether I feel Vanquis acted unfairly in returning the funds to the trading platform and in regard to whether Vanquis's communication with Mr W about this matter was fair.

In the first regard, I feel that it was fair for Vanquis to have required proof of the legitimacy of the payment and to have blocked Mr W's account until such proof was received. I'm aware that Mr W feels that he provided sufficient proof of the payment's legitimacy to Vanquis, even though what he provided didn't cover the full suite of information that Vanquis required. However, I feel that it's for Vanquis, as the account provider, to dictate what information they require in order for them to be satisfied as the legitimacy of the payment, and accordingly I don't feel that Vanquis acted unfairly by continuing to maintain the block on the account while Mr W remained unable to provide the full suite of information they requested from him.

Additionally, I'm also satisfied that it was reasonable for Vanquis to take the decision to return the funds to the trading platform following their review of the trading platform having developed concerns about it.

I'm aware that Mr W feels that Vanquis shouldn't have returned the funds to the trading platform, but that they should have forwarded the money onto his current account as he asked them to do. But given that Vanquis had developed concerns about the trading platform, and given that their decision to return unverified payments from the trading platform back to the trading platform was applied to all their account holders, and not just to Mr W, I don't feel that it was unfair or unreasonable for Vanquis to apply the action that they were taking universally to Mr W's account.

Mr W has reiterated the problems he's having with the trading platform and has expressed particular concern with the lack of help he's received from Vanquis in helping him locate the money that was returned to the trading platform by Vanquis, but which the trading platform denies was ever received by them.

I can appreciate Mr W's concerns here. But I'm satisfied that the money has been returned by Vanquis to the trading platform, and as such the present location of the funds would appear to be an issue between the Mr W and the trading platform. As such, I can only confirm what I expressed in my provisional decision letter, which is that I encourage Vanquis to work with Mr W to help locate those funds. However, once Vanquis have provided Mr W with the evidence of the return of funds to the trading platform, it seems unclear to me what further action Vanquis can take, given that the funds would then need to be located by the trading platform itself and given that Vanquis are no longer accepting payments from that trading platform.

Mr W has also stated that Vanquis should be considered as being responsible for the loss of his funds and should compensate him accordingly. I don't share Mr W's position here, and instead I feel that Vanquis were acting fairly by returning the funds to the trading platform as previously described, and I feel that Vanquis gave Mr W ample opportunity to meet their requirements to confirm the legitimacy of the payment such that it might have been allowed to be credited to the account and the account unblocked.

However, while I remain satisfied, following Vanquis' clarification of their position, that Vanquis haven't acted unfairly towards Mr W either in how they blocked the account or later returned the money to the trading platform, my updated understanding of Vanquis's position has led me to change my position in regard to Vanquis' communication with Mr W about this ongoing matter.

This is because I'd provisionally upheld this complaint on the basis that I thought Vanquis had provided misleading information to Mr W, and has asked him to provide

information to verify the legitimacy of the payment when Vanquis had no intention of ever allowing the payment to remain on the account.

I now realise that my understanding of Vanquis' position here was incorrect, and that in fact, if Mr W had been able to provide the full suite of information required by Vanquis to confirm the legitimacy of the payment, that it was likely the case that Vanquis would have allowed the payment to remain credited to the account and would have unblocked the account so that Mr W could resume using it.

As such, the reason for my provisionally upholding this aspect of this complaint is no longer valid. And having re-reviewed the communication between Mr W and Vanquis, I don't now feel that Vanquis did provide Mr W with misleading information as I felt previously was the case, on the basis of my earlier misunderstanding of Vanquis' position.

Mr W has explained that he has dyslexia, which impacted his ability to obtain the information that Vanquis were requiring from him. I can appreciate how this may have made it difficult for Mr W to have gathered the information that Vanquis were asking him for. But I don't feel that this means that Vanquis should have been expected to accept the payment from the trading platform without receiving satisfactory confirmation that the payment was legitimate.

All of which means that my overall position on this complaint has now changed and that I now will not be upholding this complaint.

Mr W stated that he was unhappy with my updated provisional decision and asked how it can be fair that Vanquis returned the funds to the trading platform when Vanquis themselves had concerns about it.

I can appreciate Mr W's position here, but I can only reiterate that Vanquis did give Mr W ample opportunity to provide the information they required to enable the payment in question to be verified. And it was only because Mr W didn't provide that information within a reasonable timeframe that the payment remained unverified when Vanquis made the commercial decision to return all unverified payments to the trading platform that they did.

I've asked Vanquis for further information about the concerns that they held about the trading platform, and I'm satisfied from Vanquis' explanation that it was reasonable for Vanquis to have held the concerns that they did. Additionally, I'm also satisfied that because of the nature of those concerns it was reasonable for Vanquis to have made the decision to have returned all the unverified payments it held for the trading platform, across all Vanquis customers, back to the trading platform.

I realise this won't be the outcome that Mr W was wanting here, but it follows from the above that it remains my position that Vanquis didn't do anything wrong here, and as such my final decision will be that I am not upholding this complaint. I hope that Mr W will be able to recover his money from the trading platform via other means, and that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 January 2023.

Paul Cooper
Ombudsman